



OFFICE OF THE STATE AUDITOR  
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Date: June 16, 2022

To: Legislative Oversight Committee Concerning Tax Policy

From: Colorado Office of the State Auditor

Re: List of tax expenditure reports

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This document lists tax expenditure reports issued by the Office of the State Auditor through June 2022 for the committee to use as it considers which reports it would like to select for presentation by our office at the committee's July 18, 2022 hearing. The list provides summary information about each report and is broken into three sections. The first section provides reports that were newly issued since the last presentations our office provided the committee; the second section provides reports that have been issued by our office in prior years, but that have not been selected by the committee for presentations; and the third section provides reports that we have already presented to the committee.

We look forward to presenting our work to the committee on July 18 and also plan to have staff available at the committee's June 24 hearing to answer questions as needed.



## Tax Expenditures Reviewed by the OSA with Policy Considerations through June 2022

(Does not include expired tax expenditures or those without policy considerations)

\* Indicates reports with policy considerations only related to establishing a statutory purpose or performance measures.

Tax Expenditure	Potential Tax Expenditure Category	Tax Type	Beneficiary Industry	Expiration Date	Recent Legislation Relevant to Report Policy Considerations	Revenue Impact <sup>1</sup>
New tax expenditure reports released after OSA's 2021 presentations to the Legislative Oversight Committee Concerning Tax Policy that have policy considerations						
Components Used to Produce Renewable Energy Exemption	Business Incentive	Sales tax	Renewable Energy			\$6,200,000
Biotechnology Sales and Use Tax Refund	Business Incentive	Sales Tax	Biotechnology			\$478,000
Child Care Facility Investment Credits	Business Incentive	Income Tax	Child Care			\$190,811
School-to-Career Expenses Credit	Business Incentive	Income Tax	General			\$41,860
Colorado Works Program Employer Credit	Business Incentive	Income Tax	General			\$35,374
Aircraft Manufacturer New Employee Credit	Business Incentive	Income Tax	Aviation	1/1/2023		\$28,080

Medical Savings Account Deductions	Business/Individual Incentive	Income Tax	General			\$16,000
Non-resident Aircraft Sales & Aircraft Parts Exemptions	Business/Individual Incentive	Sales Tax	Aviation			Could not determine, but may be significant.
Colorado Earned Income Credit*	Individual Benefit	Income Tax	N/A			\$72,000,000
Olympic Medalist Income Tax Deduction*	Individual Benefit	Income Tax	N/A			Minimal, but not reportable due to few taxpayers claiming
Charitable Contribution Deduction	Individual Incentive	Income Tax	Non-profit Organizations			\$41,300,000
Child Care Contribution Credit	Individual Incentive	Income Tax	Child Care			\$30,800,000
Colorado Tuition Program (529) Deduction	Individual Incentive	Income Tax	N/A		HB21-1311 established annual deduction caps, effective in 2022.	\$25,700,000
Conservation Easement Credit*	Individual Incentive	Income Tax	N/A			\$23,900,000

Enterprise Zone Contribution Credit	Individual Incentive	Income Tax	Non-profit organizations		HB 22-1083 removed projects that address homelessness from the credit and establishes a separate statewide credit for these projects.	\$10,500,000
Long-term Care Insurance Credit	Individual Incentive	Income Tax	Insurance			\$2,600,000
Military Service Persons Reacquiring Residency Deduction	Individual Incentive	Income Tax	N/A			\$168,939
Credit for Purchase of Uniquely Valuable Motor Vehicle Registration Numbers	Individual Incentive	Income Tax	N/A		SB22-217 modified the calculation of the credit.	\$0
Catastrophic Health Insurance Deduction	Individual Incentive	Income Tax	General			Minimal
Downloaded Software Exemption*	Sales Tax	Sales Tax	Software retailers			\$83,000,000 or greater
Farm Equipment and Parts Exemption*	Sales Tax	Sales Tax	Agriculture			\$16,300,000

Sales by Charitable Organizations Exemption	Sales Tax	Sales Tax	Non-profit Organizations			\$1,280,000
Bingo-Raffle Equipment Exemption*	Sales Tax	Sales Tax	Non-profit Organizations			Minimal
Exemption for Donations by Manufacturers to Government and Charitable Organizations*	Sales Tax	Sales Tax	Manufacturers			Could not determine
Aviation Fuel Exemptions	Structural	Excise	Aviation			\$16,700,000 for Jet Fuel Exemption \$0 for Aviation Gasoline Exemption
Alcoholic Beverages Research Exemptions*	Structural	Excise Tax	Higher Education			\$243
Tax expenditures <u>not</u> presented to the 2019 Tax Expenditure Evaluation Interim Study Committee or 2021 Legislative Oversight Committee Concerning Tax Policy that have policy considerations						
Enterprise Zones Tax Expenditures	Business Incentive	Income and Sales Tax	General			\$23,500,000

Advanced Industry Investment Credit	Business Incentive	Income Tax	Qualifying advanced industries	1/1/2027	HB22-1149 extended the credit, increased it, and increased the total amount OEDIT may approve each year.	\$524,000
Rural Jump-Start Tax Expenditures	Business Incentive	Income and Sales Tax	General	1/1/2026	HB20-1003 extended the program for 5 years and made changes including adding a purpose statement, and changing the non-competition requirement.	\$62,000
Pension or Annuity Deduction	Individual Benefit	Income Tax	N/A		HB21-1311 eliminated the deduction cap for social security income only.	\$506,300,000
Annuities Exemption	Insurance	Insurance Premium Tax	Insurance		HB21-1312 narrowed the exemption to annuities purchased in connection with certain retirement plans.	\$141,500,000

Regional Home Office Insurance Premium Rate Reduction	Insurance	Insurance Premium Tax	Insurance		HB21-1312 narrowed the tax expenditure by requiring a minimum percentage of an insurer's workforce be in the state.	\$89,700,000
Wood From Trees Killed or Infested By Certain Beetles Exemption	Sales Tax	Sales Tax	Timber and wood products retailers	7/1/2026	HB21-1261 extended the exemption.	\$483,000
Oil and Gas Severance Tax Ad Valorem Credit	Severance	Severance Tax	Oil and Gas			\$308,700,000
Oil and Gas Severance Tax Deduction for Transportation Costs and Oil and Gas Severance Tax Deduction for Manufacturing and Processing Costs	Severance	Severance Tax	Oil and Gas		HB21-1312 limited the netback deduction to direct costs actually paid by taxpayer.	\$240,800,000
Stripper Well Exemption	Severance	Severance Tax	Oil and Gas			\$61,200,000
Coal Severance Tax Expenditures	Severance	Severance Tax	Mining	1/1/2026	HB21-1312 phases these tax expenditures out by 1/1/2026.	\$7,900,000
Metallic Minerals Ad Valorem Credit	Severance	Severance Tax	Mining			\$1,000,000 - \$3,400,000



Metallic Minerals Threshold Exemption	Severance	Severance Tax	Mining			\$477,000
Molybdenum Ore Tonnage Exemption	Severance	Severance Tax	Mining			\$125,000
Impact Assistance Credits	Severance	Severance Tax, Income Tax	Mining			\$0
Oil Shale Tax Expenditures	Severance	Severance Tax	Oil and Gas			Could not determine, likely minimal.
Alternative Minimum Tax Credit*	Structural	Income Tax	N/A			\$7,300,000
Structural Cigarette and Tobacco Products Excise Tax Expenditures	Structural	Excise Tax	Tobacco			\$6,200,000 million (combined)  \$0 for Bad Debt Credit, which was the one with a policy consideration.
Corporate Condemnation Capital Gains Income Tax Deduction	Structural	Income Tax	General			Could not determine, likely minimal

Tax Expenditures presented to the 2019 Tax Expenditure Evaluation Interim Study Committee and/or the 2021 Legislative Oversight Committee Concerning Tax Policy (Does not include tax expenditures with policy considerations that were fully addressed by legislation) ^Indicates legislation that came out of the 2019 study committee or 2021 oversight committee.						
Child Care Expense Credit	Individual Benefit	Income Tax	N/A			\$2,730,000
Insurance Premium Tax Expenditures	Insurance	Insurance Premium Tax	Insurance			\$83,600,000
Fraternal Society Exemption	Insurance	Insurance Premium Tax	Insurance			\$3,800,000
Tax Exempt Organization Insurance Premium Tax Deduction	Insurance	Insurance Premium Tax	Tax-exempt organizations and Insurance			\$3,800,000
Employee Retirement Plan Insurance Premium Tax Deduction	Insurance	Insurance Premium Tax	Insurance			\$186,000
In-state Investment Pre-1959 Premium Tax Deduction	Insurance	Insurance Premium Tax	Insurance			\$0
Crop Hail Insurance Premium Tax Exemption	Insurance	Insurance Premium Tax	Insurance		^HB20-1305, laid over, would have repealed the exemption.	\$0
Unauthorized Insurance Premium Tax Expenditures	Insurance	Insurance Premium Tax	Insurance			Could not determine

Food for Home Consumption & Retirement Communities Exemptions	Sales Tax	Sales Tax	Food Retailers			\$333,600,000 (combined)
Food Ingredients Exemption	Sales Tax	Sales Tax	Manufacturing-food			\$238,000,000
Agricultural Inputs Sales Tax Exemptions	Sales Tax	Sales Tax	Agriculture		HB19-1329 clarified that fertilizer is included as exempt.	\$231,200,000
Sales to Charitable Organizations Exemption	Sales Tax	Sales Tax	Charitable Organizations			\$45,500,000
Machinery Used in Manufacturing Exemption	Sales Tax	Sales Tax	Manufacturing			\$45,000,000 maximum
Energy Used for Industrial & Manufacturing Purposes Exemption	Sales Tax	Sales Tax	Manufacturing		^HB20-1025, postponed indefinitely, would have required meters to claim exemption.	\$35,200,000 - \$87,900,000
Long-term Lodging Exemption	Sales Tax	Sales Tax	Hotels		^HB20-1020 narrowed the exemption by limiting qualifying beneficiaries to individuals.	\$12,300,000
Prefabricated Homes Exemptions	Sales Tax	Sales Tax	Home Manufacturers			\$7,300,000 (combined)

Food Service Employer-provided Meals Exemption	Sales Tax	Sales Tax	Food service			\$6,400,000
School Sales Exemptions	Sales Tax	Sales Tax	Education			\$4,900,000 (combined)
Newspapers Exemption	Sales Tax	Sales Tax	Newspaper publishers			\$2,700,000
Farm Close-out Sales Tax Exemption	Sales Tax	Sales Tax	Agriculture		^HB22-1023, which was postponed indefinitely, would have repealed the exemption for on- road motor vehicles only.	Could not determine

Construction and Building Materials Exemption	Sales Tax	Sales Tax	Construction, government, non-profits		<p>^HB22-1024 requires home rule cities and counties to provide the same exemption for school construction projects.</p> <p>^The 2021 Oversight Committee Concerning Tax Policy initially drafted a bill that would have clarified eligibility; however, after consultation with stakeholders the draft bill was withdrawn.</p>	Could not determine
Materials Used in Iron, Steel, and Vanadium-ore Manufacturing and Processing	Sales Tax	Sales Tax	Metal Manufacturers			Could not determine
Aircraft Used in Interstate Commerce Exemption	Sales Tax	Sales Tax	Aviation			Could not determine

Precious Metal Bullion and Coin Exemption	Sales Tax	Sales Tax	Bullion and coin retailers			Could not determine
Pre-press Printing Exemption	Sales Tax	Sales Tax	Printing			Could not determine
Colorado Net Operating Loss Deduction for C-Corporations	Structural	Income Tax	General		^HB20-1024 changed net operating loss requirements.	\$154,800,000 - \$308,200,000
State Income Tax Refund Deductions for Individuals, Estates, and Trusts	Structural	Income Tax	N/A			\$47,700,000
Previously Taxed Income Deduction for Individuals, Estates, and Trusts	Structural	Income Tax	N/A			\$865,000
Excise Tax Credit for Unsalable Alcoholic Beverages	Structural	Excise Tax	Alcohol manufacturers and distributors			\$153,000

Sacramental Wines Excise Tax Exemption	Structural	Excise Tax	Religious organizations		^HB20-1303, postponed indefinitely, would have repealed the exemption.  ^HB22-1025 as introduced would have repealed the exemption, but this repeal provision was amended out of the passed bill.	\$2,600
Deduction for Wages and Salaries Due to Internal Revenue Code 280C	Structural	Income Tax	General			Less than \$51.4 million
<sup>1</sup> Revenue impacts are based on Department of Revenue data or estimates prepared by the Office of the State Auditor at the time of each tax expenditure evaluation. Revenue impacts do not take into account overlapping tax expenditures.						